# Annual Report

For Year Ending
December 31, 1986

Alberta
AUTOMOBILE INSURANCE BOARD

CCA-08 003

CONSUMER AND CORPORATE
AFFAIRS

Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

**The Honourable Dr. David J. Carter**
**Office of the Speaker**
**Legislative Assembly of Alberta**

**Sir:**

**I have the honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1986.**

**Sincerely,**

**ELAINE J. McCOY**
**Minister of Consumer and Corporate Affairs**
**M.L.A. for Calgary West**

Alberta
AUTOMOBILE INSURANCE
BOARD

22nd Floor, 10025 Jasper Avenue, Edmonton, Alberta, Canada T5J 3Z5 403/427-5428

The Honourable Elaine J. McCoy
Minister of Consumer and Corporate Affairs
Legislative Building
Edmonton, Alberta

Honourable Madam:

Pursuant to R.S.A. 1980, Chapter 1-5, the Insurance Act, Section 344(2), we respectfully submit herewith, the fifteenth report of the Alberta Automobile Insurance Board, for the year ending December 31,1986.

A.H. Wachowich, Chairman

P.G. Galway

J.M. Tweddle

A.G. Eccles

# ALBERTA AUTOMOBILE INSURANCE BOARD

# 1986 ANNUAL REPORT

The Alberta Automobile Insurance Board, constituted under subsection 338(1) of The Insurance Act, is empowered under section 339 thereof to investigate any matters it thinks fit respecting automobile insurance in Alberta, and to approve rates charged by insurers for compulsory automobile coverage under The Motor Vehicle Administration Act.

## RATES

Insurers conducting business in Alberta are required by The Insurance Act to report their experience to a Canadian statistical plan, the results of which are compiled annually in a publication called the Green Book. The 1985 statistics in the Green Book, released in June 1986, and half-year update released in July 1986, were analyzed by the Board's actuarial consultant. These analyses were used in weighed proportions with the insurer's own statistics and those of insurance underwriting groups to establish a base for any rate maintenance or rate change to be considered by the Board. The trend factors that indicated premium increases in the years 1979 to 1981, started to abate in 1982 and continued into 1983. The 1984 results were consistent with 1983, but 1985 results indicated a deterioration. Increases in both the frequency of claims and the average cost per claim during 1985, were clear signs that premiums could be expected to rise.

## MARKET

The trend toward premium increases that began during the second half of 1985, continued throughout 1986. Intense competition and favourable loss experience had influenced insurers to hold the line or even reduce premiums over the previous three years. The overall premium level was depressed and with the increase in losses during 1985, it was recognized to be inadequate. At the same time, insurers were careful to protect the preferred classes within the Private Passenger portion of their portfolio by adopting discounts for qualified clients or lesser increases.

Underwriting requirements have become stringent for both Private Passenger and Commercial lines. Insurers have been particularly reluctant to provide a market for what are considered the higher risk Commercial classes.

The Facility Association is the industry's mechanism for providing insurance coverage to those consumers encountering difficulty in obtaining the same in the regular market. The Board monitors the Association's program for all coverages. The industry has a vested interest in avoiding over-population of this program by placing the risks in the regular market or removing the risks when the same become acceptable to the regular market.

Facility Association premium volume had continuously declined for each month compared to the previous year since June of 1983. That trend reversed beginning in June of 1985. During the fiscal year ending October 31, 1986, the period for which figures are available, premium volume increased 21.98 percent over the same period a year earlier.

## MEETINGS

In 1986, the Board held twelve meetings during which 94 applications were examined. This number compares with 110 applications in 1985, 138 in 1984, 170 in 1983, 198 in 1982, 174 in 1981, 90 in 1980, and 81 in 1979. In 1986, a total of twenty applications were not approved as submitted. Seven applications were declined of which five were revised and resubmitted as new applications. Another thirteen applications were approved subject to specified modifications.

## LIAISON

Representatives of the Automobile Insurance Board met with the executive members of the following industry associations during 1986 in order to maintain dialogue with the industry's various component groups:

Insurance Bureau of Canada
Insurance Brokers Association of Alberta
Facility Association
Canadian Federation of Insurance Agents and Brokers

and also attended the conference for:

Association of Superintendent of Insurance of the Provinces of Canada
Insurers Brokers Association of Alberta

These meetings occurred between February and September 1986.

## INQUIRIES

Inquiries and complaints are monitored for unfair and inequitable rules and practices. Complaints are assessed for compliance with rates and rules, and are generally resolved by the provision of a detailed explanation. Appropriate action to rectify the disparity for the individual and/or the general public is taken by the Board. Of the 780 inquiries received by the Board office in 1986, 118 were redirected to other government departments.

## BENEFITS

The increase in the compulsory Third Party Liability limit from $100,000 to $200,000 as of January 1, 1986 places Alberta at a level at least equal to any other Canadian jurisdiction. However, the Board recognizes the critical importance of adequate limits and continues to maintain its recommendation of a compulsory limit of at least $300,000 which would involve an increase of approximately 4% to the Third Party Liability premium.

## STAFF

Susan Steeves, B.A., F.L.L.C., continued as Administrator to the Board. Stella Schlagel has been employed with the Board as a clerk typist since October 1985.

## MEMBERSHIP ON THE BOARD

There were no changes in Board membership during 1986.

## GENERAL

During 1986, the principal concerns were increasing premium level and availability of market. As stated earlier, less favourable loss experience dictated some increase in the premium level.

There were difficulties with the availability of insurance coverages for various commercial risks. Commercial automobile risks so affected were directed to Facility Association, contributing to the premium growth mentioned earlier.

The issue of the use of age, gender and marital status as rating criteria for young drivers was monitored and discussed with industry. Additional statistical data has been gathered by industry since January 1, 1985 in an effort to at least diminish the emphasis on these criteria.

A legal challenge has been heard in Bates v. Zurich Insurance Company and a Divisional Court decision rendered in Ontario. In that case, Mr. Bates argued that the use of age, gender and marital status as rating criteria was in violation of the Ontario Human Rights Code. The Code provides that where discrimination is proven to be "reasonable and bona fide", it will not violate the provisions of the Code. In January 1987, the Divisional Court ruled that the use of age, gender and marital status in automobile insurance rating was reasonable and bona fide and accordingly not in violation of the Ontario law.

In 1985 a similar provision was introduced into the Alberta Individual's Rights Protection Act under Section 11.1, where a contravention of the Act is deemed not to have occurred if it is shown that the contravention was "reasonable and justifiable in the circumstances".

It is only with respect to gender that there is any question of the industry being in contravention of Alberta provincial human rights legislation. Section 11.1 and the legal decision based on a similar provision in Ontario are considerations in determining appropriate rating procedures.

As yet, no challenge has been heard under the Canadian Charter of Human Rights and Freedoms.